



chair **John Chiang**
member **Judy Chu, Ph.D.**
member **Michael C. Genest**

State of California
Franchise Tax Board

May 2008 Franchise Tax Board Public Litigation Roster

All currently active cases and those recently closed are listed on the roster. Activity or changes with respect to a case appear in bold-face type. Any new cases will appear in bold-face type.

A list of new cases that have been added to the roster for the month is also provided, as well as a list of cases that have been closed and will be dropped from the next report.

The Franchise Tax Board posts the Litigation Roster on its Internet site. The Litigation Roster can be found at: <http://www.ftb.ca.gov/law/litrstr/index.html>.

The Litigation Rosters for the last four years may be found on the Internet site.

FRANCHISE AND INCOME TAX
Closed Cases – May 2008

Case Name

Court Number

Montgomery Ward LLC

San Diego Superior Court No.GIC802767

FRANCHISE AND INCOME TAX
New Cases – May 2008

Case Name

Court Number

Paré, David F.

San Diego Superior Court Docket No. IC872806

Jensen, Craig C. & Sally

Los Angeles Superior Court Docket No. 08K09860

Reiling, Bernard & Judith, et al.

Los Angeles Superior Court Docket No. BC378978

**FRANCHISE AND INCOME TAX
MONTHLY REFUND LITIGATION ROSTER**

May 2007

ABBOTT LABORATORIES & Affiliates v. Franchise Tax Board

Los Angeles Superior Court Docket No. BC369808

Filed – 04/20/07

Court of Appeal, 2nd Appellate Dist. No. B204210

Taxpayer's Counsel

FTB's Counsel

J. Pat Powers

Brian Wesley

Baker & McKenzie, LLP

Scott L Brandman (NY)

Baker & McKenzie, LLP

Issue: Whether Plaintiffs were entitled to a deduction under section 24402 after the statute was found to be unconstitutional.

Years: 1999-2000

Amount **\$2,340,093.00**

Status: **Plaintiffs/Appellants' Opening Brief and Joint Appendix filed on May 12, 2008.**

APPLE, INC. v. Franchise Tax Board

San Francisco Superior Court Docket No. CGC08471129

Filed – 01/16/08

Taxpayer's Counsel

FTB's Counsel

Jeffrey M. Vesely

Kristian Whitten

Pillsbury, Winthrop, Shaw, Pittman, LLP

Issues: 1. Whether the Franchise Tax Board properly determined the order in which dividends are paid from earnings and profits.
2. Whether the Franchise Tax Board improperly allocated and disallowed interest.

Year: 09/30/89

Amount \$231,038.00

Status: Case Management Conference scheduled for June 20, 2008.

BAKERSFIELD MALL, LLC v. Franchise Tax Board

San Francisco Superior Court Docket No. No. CGC07462728

Filed – 04/25/07

Court of Appeal, 1st Appellate District No. A119709

Taxpayer's Counsel

FTB's Counsel

Amy L. Silverstein, Edwin Antolin

Marguerite Stricklin

Silverstein & Pomerantz, LLP

Issues: 1. Whether the LLC fee imposed on an LLC doing business entirely within California by Rev. Tax. Code §17942 is unconstitutional under the due process, equal protection and commerce clauses of the U.S. Constitution.

2. Whether Rev. Tax. Code §17942 violates Article XIII, section 26 of the California Constitution.
3. Whether Rev. Tax. Code §17942 constitutes an invalid exercise of the states police power and is void.

Years: 2000 through 2004

Amount \$56,537.00

Status: Trial continued to July 24, 2008.

BANISTER, JOSEPH R. v. Franchise Tax Board

Sacramento Superior Court No. 06CS00930

Sacramento Superior Court Docket No. 07AS04091

Taxpayer's Counsel

Joseph R. Banister (Pro Per)

Filed – 07/10/06

Transferred – 09/14/07

FTB's Counsel

Amy Winn

Issues: 1. Whether plaintiff has a California filing obligation.
2. Whether penalties were properly assessed against plaintiff.

Year: 2002

Amount \$895.00 Tax
\$537.50 Penalty

Status: Docket No. 07AS04091:
Trial Setting Conference scheduled for June 16, 2008.

BAYER CORPORATION v. Franchise Tax Board

Sacramento Superior Court Docket No. 07AS03350

Taxpayer's Counsel

Eric J. Coffill, Carley A. Roberts

Morrison & Foerster, LLP

Filed – 07/23/07

FTB's Counsel

Steven J. Green

Issue: Whether the value of Plaintiff's inventory was properly calculated for each of the years for purposes of determining its cost of goods sold.

Years: 1993-1994

Amount \$2,481,551.00

Status: Discovery proceeding.

BRAR, KALDEEP S. & IMELDA A. & PROFESSIONAL RESOURCE ENTERPRISES, INC. v. Franchise Tax Board

Los Angeles Superior Court Docket No. BC365233

Court of Appeal, 2nd Appellate District No. B207757

Taxpayer's Counsel

Robert F Klueger, Esq.

Boldra, Klueger & Stein, LLP

Filed – 01/24/07

FTB's Counsel

Mark P. Richelson

Issue: 1. Whether FTB properly determined the Los Angeles Revitalization Zone credit carryovers to which Plaintiffs were entitled.

Year: 1999

Amount \$335,885.53

Status: **Plaintiffs' Notice of Appeal filed on May 13, 2008.**

BRATTON, KERRY M. v. Franchise Tax Board

San Francisco Superior Court Docket No. CGC07461671

Taxpayer's Counsel

Thomas F. Carlucci

Foley & Lardner, LLP

Filed – 03/23/07

FTB's Counsel

Amy J. Winn

Issue: Whether the penalty for the promotion of an abusive tax shelter provided for in section 19177 was properly assessed to Plaintiff.

Year: 2003

Amount \$3,996,235.94 Penalty

Status: **Case Management Conference continued to June 25, 2008.**

CITY NATIONAL CORPORATION v. Franchise Tax Board

Los Angeles Superior Court Docket No. BC334772

Court of Appeal, 2nd Appellate District No. B189240

California Supreme Court No. S150563

Taxpayer's Counsel

Kenneth R. Chiate, Mary S. Thomas

Quinn, Emanuel, Urquhart, Oliver & Hedges, LLP

Filed – 06/10/05

FTB's Counsel

Donald R. Currier

Sherrill Johnson

Offices of the General Counsel

City National Bank

Issues: 1. Whether Plaintiff improperly engaged in tax shelter transaction involving Regulated Investment Trusts (REITs) and Regulated Investment Companies (RICs) during the subject years.
2. Whether certain subsidiaries were exempt from California taxation as IRC 501(c)(15) entities.
3. Whether Plaintiff has satisfied the requirement of exhausting all administrative remedies in order to maintain a lawsuit.

Years: 1999 through 2003

Amount \$84,676,129.00

Status: Case Management Conference continued to June 6, 2008.

CITY NATIONAL CORPORATION & Subs. v. Franchise Tax Board

Sacramento Superior Court Docket No. 06AS02275

Taxpayer's Counsel

Kenneth R. Chiate

Quinn, Emanuel, Urquhart Oliver & Hedges, LLP

Sherrill Johnson

Offices of the General Counsel

City National Bank

Filed – 06/06/06

FTB's Counsel

Molly K. Mosley

Issue: Whether Plaintiffs improperly engaged in tax shelter transaction involving Real Estate Investment Trusts (REITs).

Year: 2004

Amount \$23,900,000.00

Status: Defendant's Notice of Entry of Order to Stay Action Pending Certain Developments in Related Los Angeles Action filed on April 3, 2008.

DELUCCHI, MARIO & KATHLEEN, et al. v. Franchise Tax Board

Sacramento Superior Court Docket No. 06AS02661

Court of Appeal, 3rd Appellate District No. C056503

Taxpayer's Counsel

Harry Gordon Oliver II

Attorney at Law

Filed – 06/22/06

FTB's Counsel

George Spanos

Issues: 1. Whether Plaintiffs properly computed income on an installment sale.
2. Whether Plaintiffs may be deemed to have elected out of the installment method.
3. Whether Plaintiffs' gain on the sale of a stock qualified for exemption as Small Business Stock in 1995.

Year: 1995

Amount \$954,800.00

Status: **Extension of Time to file Defendant/Respondent's Brief to June 9, 2008, granted on May 6, 2008.**

DELUXE CORPORATION v. Franchise Tax Board

San Francisco Superior Court Docket No. CGC07462305

Taxpayer's Counsel

Amy L. Silverstein, Edwin Antolin

Silverstein & Pomerantz

Filed – 04/11/07

FTB's Counsel

Karen Yiu

Issues: 1. Whether the Franchise Tax Board has the authority to review the validity of enterprise zone credit vouchers issued by an enterprise zone.
2. Whether the Franchise Tax Board properly disallowed enterprise zone credits claimed by plaintiff.

Years: 1999 through 2001

Amount \$979,741.00

Status: Discovery proceeding. Mandatory Settlement Conference rescheduled to July 1, 2008, trial rescheduled to July 14, 2008.

DICON FIBEROPTICS, INC. v. Franchise Tax Board

Los Angeles Superior Court Docket No. BC367885
Court of Appeal, 2nd Appellate District No. B202997

Filed – 03/13/07

Taxpayer's Counsel

Thomas R. Freeman, Paul S. Chan,
Bird, Marella, Boxer, Wolpert,
Nessim, Drooks & Lincenberg, P.C.

FTB's Counsel

Mark Richelson

Marty Dakessian

Mardiros, Hagop, Dakessian

Issue: Whether Franchise Tax Board properly denied EZ Credits claimed by Plaintiff.

Year: Ending 03/31/07

Amount \$1,104,992.00

Status: **Defendant/Respondent's Brief filed on May 15, 2008.**

DUFFIELD, DAVID A. & CHERYL D. v. Franchise Tax Board

San Francisco Superior Court Docket No. CGC07459331

Filed – 01/05/07

Taxpayer's Counsel

Jeffrey M. Vesely
Kerne H. O. Matsubara, Annie H. Huang
Pillsbury, Winthrop, Shaw, Pittman, LLP

FTB's Counsel

David Lew

Issues:

1. Whether Plaintiffs exchange of PeopleSoft Stock for the stock of Nevada Pacific Development Corporation qualified as a tax-free exchange pursuant to Revenue and Taxation Code section 17321.
2. Whether Plaintiffs were subject to the penalty imposed by section 19777.5.
3. Whether the penalty imposed by section 19777.5 meets Due Process requirements.
4. Whether Plaintiffs were entitled to an abatement of interest pursuant to Revenue and Taxation Code section 19104.

Year: 1994

Amount \$7,152,029.00 Tax
\$4,006,669.25 Penalty

Status: **Settlement Conference scheduled for June 10, 2008.**

ELS EDUCATIONAL SERVICES, INC. v. Franchise Tax Board

Sacramento Superior Court Docket No. 07AS0307

Filed – 07/05/07

Taxpayer's Counsel

Robert R. Rubin
McDonough, Holland & Allen, PC

FTB's Counsel

Robert Asperger

Issue: Whether Plaintiff was entitled for California purposes, to elect out of treatment provided by section 338(h)(10) of the Internal Revenue Code.

Year: 08/28/97 Amount \$630,615.97

Status: Discovery proceeding. Trial Setting Conference scheduled for June 16, 2008.

FREIDBERG, EDWARD AND TRACI REYNOLDS v. Franchise Tax Board

Sacramento Superior Court Docket No. 07AS02358

Taxpayer's Counsel

Edward Freidberg, Suzanne M. Alves
Freidberg & Parker

Filed – 02/02/07

FTB's Counsel

Amy Winn
Larry Keethe

Issue: Whether Franchise Tax Board was required to credit the amount of a non-final judgment to satisfy Plaintiffs' self-assessed taxes for years subsequent to those involved in the judgment.

Years: 2003 and 2004 Amount \$9,326.32 Penalty

Status: Trial held on March 10, 2008. **Court's decision pending.**

GARCIA, W. ROCKE AND GLENDA L. v. Franchise Tax Board

San Francisco Superior Court Docket No. CGC06456659

Taxpayer's Counsel

William J. McLean
A Professional Law Corporation

Filed – 10/02/06

FTB's Counsel

Kristian Whitten

Issue:

1. Whether Plaintiffs timely acquired replacement real property in compliance with the Internal Revenue Code section 1033.
2. Whether a decision by the State Board of Equalization precludes the assessment of penalties pursuant to section 19777.5.
3. Whether the penalty assessed by Section 19777.5 satisfies due process requirements.

Year: 1992 Amount \$357,009.00 Tax
\$259,056.00 Penalty

Status: **Order on Motion and Motion to Tax Costs filed on May 28, 2008.**

GENERAL MILLS, INC. & SUBSIDIARIES v. Franchise Tax Board

San Francisco Superior Court Docket No. CGC05-439929

Court of Appeal, 1st Appellate Dist. No. A120492

Taxpayer's Counsel

Thomas H. Steele
Andres Vallejo, Jeffrey S. Terraciano
Morrison & Foerster LLP

Paul H. Frankel
Morrison & Foerster LLP

Filed – 03/29/05

FTB's Counsel

Joyce Hee

- Issues: 1. Whether the Plaintiffs' payroll factor was properly computed by excluding foreign employee stock options.
2. Whether the Plaintiffs' sales factor was properly calculated by excluding receipts from commodities transactions and short-term financial instruments.
3. Whether federal RAR adjustments were properly taken into account.

Years: 1992 through 1997 Amount \$3,950,026.00

Status: **Stipulation of Extensions of Time for Filing Respondent's Brief and Appellant's Reply Brief filed on May 5, 2008.**

GENERAL MOTORS CORPORATION, et al. v. Franchise Tax Board

Los Angeles Superior Court Docket No. BC269404
Court of Appeal, 2nd Appellate District No. B165665
California Supreme Court No. S127086

Filed - 03/06/02

Taxpayer's Counsel

Charles R. Ajalat
Law Office of Ajalat, Polley & Ayooob

FTB's Counsel

Stephen Lew
Donald Currier

- Issues: 1. Whether gross receipts from the disposition of marketable securities were properly excluded from the sales factor.
2. Whether interest income was properly characterized as business income.
3. Whether dividends received with respect to stock representing less than a 50% voting interest were properly classified as business income.
4. Whether the limitation on deductions prescribed by sections 24402 and 24410 resulted in unconstitutional discriminatory taxation.
5. Whether various receipts from intangible assets were properly excluded from the sales factor.
6. Whether research tax credits were properly limited to the entity incurring the expense.
7. Whether a deduction was properly denied with respect to foreign country taxes withheld on dividends.
8. Whether the taxpayer is entitled to an increased deduction with respect to depreciation on assets held by foreign country subsidiaries.
9. Whether the taxes determined to be owing by the Franchise Tax Board were properly computed and assessed.

Years: 1986 through 1988 Amount \$10,692,755.00

Status: Discovery Proceeding. Final Status Conference scheduled for September 29, 2008. Trial scheduled for October 1, 2008.

GOLDEN WEST HEALTH PLAN, INC. v. Franchise Tax Board

Los Angeles Superior Court Docket No. BC353849
Court of Appeal, 2nd Appellate Court Dist. No. B205246

Filed – 06/15/06

Taxpayer's Counsel

Alan R. Maler
Greenberg Traurig, LLP

FTB's Counsel

Marla Markman

Issue: Whether Plaintiff made a valid S Corporation election for California purposes.

Years: 04/01/03 through 06/01/03

Amount \$669,045.00

Status: **Record on Appeal C-3 (482 pgs) R- 1 filed on May 30, 2008.**

GONZALES, THOMAS J. II v. Franchise Tax Board

San Francisco Superior Court Docket No. CGC06454297

Taxpayer's Counsel

Martin A. Schainbaum, Esq.

Martin A. Schainbaum, PLC

Filed – 07/18/06

FTB's Counsel

Jeffrey Rich

- Issues:
1. Whether a \$142,000,000.00 capital loss from an abusive tax shelter is allowable.
 2. Whether a taxpayer self-reporting under VCI is eligible for interest suspension pursuant to section 19116.
 3. Whether the taxpayer is entitled to deduct legal expenses paid in connection with an investment.

Years: 2000 and 2001

Amount \$12,374,510.00

Status: **Hearing Scheduled for July 10, 2008, on accuracy related penalty and jury trial.**

HANGER, DWIGHT T. & VICKI J. v. Franchise Tax Board

Los Angeles Superior Court Docket No. BC382988

Taxpayer's Counsel

Gordon B. Cutler, Esq.

Filed – 12/28/07

FTB's Counsel

Anthony Sgherzi

Issue: Whether taxpayers constructively received the proceeds from the exchange of LLC memberships for stock in the taxable year.

Year: 2000

Amount \$324,908.00

Status: Mandatory Settlement scheduled for October 2, 2008. Final Status Conference scheduled for November 21, 2008. Trial scheduled for December 1, 2008. **Answer to Complaint filed on May 7, 2008.**

HYATT, GILBERT P. v. Franchise Tax Board

Clark County Nevada District Court No. A382999

Nevada Supreme Court No. 47141

Taxpayer's Counsel

Thomas L. Steffen & Mark A. Hutchison

Hutchison & Steffen, H. Bartow Farr III

Filed - 01/06/98

FTB's Counsel

James W. Bradshaw

McDonald, Carano,

Wilson LLP

Las Vegas, Nevada

- Issues:
1. Whether Plaintiff was a resident of California from September 26, 1991 through April 2, 1992.
 2. Whether the Franchise Tax Board committed various torts with respect to plaintiff and is subject to a claim for damages.
 3. Whether the Nevada courts have or should exercise jurisdiction over the Franchise Tax Board.

Years: 1991 and 1992

Amount \$7,545,492.00 Tax
\$5,659,119.00 Penalty

Status: Clark County Nevada District Court
Trial continuing.

JENSEN, CRAIG C. & SALLY v. Franchise Tax Board

Los Angeles Superior Court Docket No. 08K09860

Taxpayer's Counsel

Jonathan Bailey Lappen

Lappen and Lappen

Filed – 04/18/08

FTB's Counsel

Anthony Sgherzi

Issue: Whether Revenue and Taxation Code section 17043, which imposes an additional tax of one percent on taxable income in excess of \$1 million in taxable years beginning on or after January 1, 2005, violates the equal protection clause of the U.S. Constitution.

Year: 2006

Amount \$19,283.00

Status: Summons and Complaint served personally on May 6, 2008.

KANCHANAPOOM, VISUT & MEECHI v. Franchise Tax Board

Los Angeles Superior Court Docket No. NC050569

Taxpayer's Counsel

Kenneth J. Catanzarite

Richard Vergel de Dios

Catanzarite Law Corporation

Filed – 12/04/07

FTB's Counsel

Ron Ito

Issue: 1. Whether passive activity and capital losses from the disposition of partnership interests are deductible in the taxable years in issue.

Years: 1991 through 1995

Amount \$230,632.00

Status: Plaintiffs' Second Amended Complaint filed on April 28, 2008.

MANNING, LAWRENCE T. & JOY v. Franchise Tax Board

Los Angeles Superior Court Docket No. BC382987

Taxpayer's Counsel

Gordon B. Cutler, Esq.

Filed – 12/28/07

FTB's Counsel

Anthony Sgherzi

Issue: Whether taxpayers constructively received the proceeds from the exchange of LLC memberships for stock in the taxable year.

Year: 2000

Amount \$167,710.00

Status: Mandatory Settlement Conference scheduled for October 2, 2008. Final Status Conference scheduled for November 21, 2008. Trial scheduled for December 1, 2008. **Answer to Complaint filed on May 7, 2008.**

MERCURY GENERAL CORPORATION v. Franchise Tax Board

San Francisco Superior Court Docket No. No. CGC07462688

Taxpayer's Counsel

Roy E. Crawford, Robert J. Waldow

McDermott, Will & Emery

Filed – 04/25/07

FTB's Counsel

Julian Standen

***Amounts have been revised to reflect all the amounts paid by Plaintiff.**

- Issues:
1. Whether a portion of Plaintiff's insurance subsidiary management expenses was properly disallowed under Rev. & Tax. Code § 24425.
 2. Whether the amnesty penalty under Rev. & Tax. Code § 19777.5 violates the due process clause of the U.S. Constitution, applies only retroactively, or attaches only after a liability becomes due and payable.

Years: 12/31/93 through 12/31/96Amount **\$7,238,225.53 Tax***
\$4,453,793.66 PenaltyStatus: **Trial held on May 6, 2008.****MICKELSEN, PAUL L. & PATRICIA A. v. Franchise Tax Board**

Los Angeles Superior Court Docket No. BC385197

Taxpayer's Counsel

Charles P. Rettig, Esq.

Steven Toscher, Sharyn M. Fisk

Hochman, Salkin, Retigg, Toscher & Perez, P.C.

Filed – 02/08/08

FTB's Counsel

Donald R. Currier

Issue: Whether a taxpayer self-reporting under VCI is eligible for interest suspension pursuant to section 19116.

Year: 1999Amount \$537,178.00 Interest

Status: Answer to Complaint filed on March 28, 2008. **Case Management Conference scheduled for June 23, 2008.**

MICROSOFT CORPORATION v. Franchise Tax Board

San Francisco Superior Court Docket No. CGC08471260

Taxpayer's Counsel

James P. Kleier, Brian W. Toman

Reed Smith, LLP

Filed – 01/22/08

FTB's Counsel

Joyce Hee

Lucy Wang

- Issues:
1. Whether royalty income received from licensing agreements with Original Equipment Manufacturers should be sourced outside of California based upon costs of performance.
 2. Whether receipts from trading marketable securities should be included in the sales factor.
 3. Whether the value of trademarks, copyrights, patents and other intangible assets should be included in the property factor.
 4. Whether the taxpayer should be allowed a deduction under Revenue and Taxation Code section 24402 for dividends received for the years at issue.

Years: 1995 and 1996

Amount \$25,283,868.00

Status: **Defendant's Case Management Statement filed on May 30, 2008. Plaintiff's Case Management Statement filed on May 30, 2008.**

MIKE, ANGELINA v. Franchise Tax Board

San Diego Superior Court Docket No. 37-2007-00067324-CU-MC-CTL

Taxpayer's Counsel

Richard M. Freeman, Carole M Ross

Sheppard, Mullin, Richter & Hampton, LLP

Filed – 05/25/07

FTB's Counsel

Leslie Branman Smith

Issue: Whether plaintiff's distribution of gaming income derived from revenue generated on a Native American reservation is exempted from California tax because plaintiff resided on the reservation of another tribe.

Year: 2000

Amount \$31,856.00

Status: Trial scheduled for September 19, 2008. Discovery proceeding.

NEW GAMING SYSTEMS, INC. & AKA INDUSTRIES, INC. v. Franchise Tax Board

Sacramento Superior Court Docket No. 03AS05705

Taxpayer's Counsel

Robert R. Rubin

McDonough, Holland & Allen, PC

Filed - 10/10/03

FTB's Counsel

Amy Winn

Issues:

1. Whether New Gaming Systems, Inc., timely filed its suit for refund for the income year ended March 31, 1996.
2. Whether a declaratory relief action can be brought to prevent the collection of tax.
3. Whether a suit for refund can be maintained for a year in which the amount of tax has not been paid in full.
4. Whether Plaintiffs are liable for California taxes on income generated from leases for operating Indian casinos.

Years: 1996 and 1997

Amount \$111,587.87

Status: Trial set for July 23, 2007 postponed, date unknown.

NISSAN NORTH AMERICA, INC. v. Franchise Tax Board

Los Angeles Superior Court Docket No. BC373781

Taxpayer's Counsel

Richard J. Ayoob

Ajalat, Polley, Ayoob & Matarese

Filed – 07/06/07

FTB's Counsel

Mark P. Richelson

Ronald N. Ito

Donald R. Currier

Issues:

1. Whether claimed EZ credits were erroneously disallowed.
2. Whether Value Added Taxes should be included in the denominator of the sales factor.
3. Whether other errors were made in computing the taxpayer's tax.

Years: 04/01/01 through 03/31/02

Amount \$725,632.00

Status: **Case Management Conference held on May 7, 2008.**

NORTHWEST ENERGETIC SERVICES, LLC v. Franchise Tax Board

San Francisco Superior Court Docket No. CGC05-437721

Filed – 01/15/05

Court of Appeal 1st Appellate Court Dist. No. A114805

Court of Appeal, 1st Appellate Court Dist. No. A115841 (Attorneys' Fees)

Court of Appeal, 1st Appellate Court Dist. No. A115950 (Attorneys' Fees)

California Supreme Court No. S162627

Taxpayer's Counsel

Amy L. Silverstein, Edwin Antolin

Silverstein & Pomerantz

FTB's Counsel

Marguerite C. Stricklin

Issue: Whether Revenue and Taxation Code section 17942, which imposes a tax upon the "total income from all sources reportable to this state" of LLC registered with the Secretary of State, violates the Due Process Clause and Commerce Clauses.

Years: 12/31/97 through 12/31/01

Amount \$25,067.00 Fees
\$ 3,764.29 Penalty

Status: **Plaintiff/Respondent Northwest's Answer to Petition for Review filed on May 5, 2008.**
Defendant/Appellant FTB's Reply in Support of Petition for Review filed on May 13, 2008.

PARÉ, David F. v. Franchise Tax Board*

San Diego Superior Court Docket No. IC872806

Filed – 09/21/06

Superior Court Appellate Division No. 37-2008-002000002-CL-MC-CTL

Taxpayer's Counsel

David F. Paré, Pro Per

FTB's Counsel

Leslie Branman-Smith

*Case was remanded to the Appellate Division of the Superior Court.

Issues: 1. Whether the child of an individual who lives with the plaintiff qualifies the individual for head-of-household filing status.
2. Whether the plaintiff has satisfied the requirements for bringing a suit for refund.

Years: 2000 through 2003

Amount \$5,735.90

Status: **Defendant's Notice of Motion and Motion to Dismiss Appeal Pending Appeal to the Appellate Division of the Superior Court filed on January 15, 2008. Plaintiff's Opposition to Motion to Dismiss Appeal filed on February 8, 2008. Defendant's Reply to Plaintiff's Opposition to Motion to Dismiss Appeal filed on February 15, 2008. Defendant's Motion to Dismiss Plaintiff's Appeal was denied on February 29, 2008. Plaintiff's Opening Brief filed in Appellate Division of Superior Court on May 8, 2008. Defendant's Reply Brief filed on May 28, 2008.**

REILING, BERNARD & JUDITH ET AL, v. Franchise Tax Board*

Los Angeles Superior Court Docket No. BC378978

Taxpayer's Counsel

**James D. Gustafson, Stephen R. Goostrey
Gustafson & Goostrey, LLP**

Filed – 10/12/07

FTB's Counsel

**Donald R. Currier
Elisa Wolfe-Donato**

Note: (Inappropriate service of the summons and complaint resulted in a question about whether or not the department would appear in this action. A miscommunication between professional and support staff resulted in this case not being included in the roster until it was determined the action had proceeded.)

Issue: Whether Plaintiffs are entitled to deductions, depreciation, and deferral of gains by virtue of acquiring participation units in a trust that does not hold title to the underlying property.

Years: 1998 through 2002

Amount \$709,482.00

Status: Defendant's Motion for Judgment on the Pleadings filed on May 23, 2008, hearing scheduled for June 25, 2008. Final Status Conference scheduled for September 3, 2008. Trial scheduled for September 10, 2008.

RIVER GARDEN RETIREMENT HOME v. Franchise Tax Board

San Francisco Superior Court Docket No. CGC07467783

Taxpayer's Counsel

**Amy L. Silverstein, Edwin Antolin
Silverstein & Pomerantz, LLP**

Filed – 10/02/07

FTB's Counsel

David Lew

Issues: 1. Whether Plaintiff is entitled to a dividend received deduction under Revenue and Taxation Code section 24402 for the years in issue.
2. Whether the penalty imposed by Revenue and Taxation Code section 19777.5 was properly assessed.

Years: 1999 and 2000

Amount \$5,375.26 Tax
\$ 895.93 Penalty

Status: Mandatory Settlement Conference set for September 5, 2008. Trial set for September 22, 2008.
Discovery proceeding.

ROHR, INC. v. Franchise Tax Board

San Diego Superior Court Docket No. 37-2007-00070925-CU-CO-CTL

Court of Appeal, 4th Dist., Div. 1 No. D052309

California Supreme Court No. S161612

Taxpayer's Counsel

**Mark L. Mann
Luce, Forward, Hamilton & Scripps LLP**

Filed – 09/07/07

FTB's Counsel

Brian D. Wesley

Issues: 1. Whether Rohr, Inc. was engaged in a unitary business with Rohr Credit Corporation, its subsidiary.
2. Whether losses incurred by Rohr Credit Corporation constituted nonbusiness income.
3. Whether plaintiff is entitled to attorneys' fees.
4. Whether a suit for refund can be maintained where not all the interest due has been paid.

Years: 07/31/85 through 07/31/87

Amount \$5,155,415.00

Status: Petition for Review was denied on April 16, 2008. **Discovery proceeding.**

SHAW, BRIAN K. v. Franchise Tax Board

Los Angeles Superior Court Docket No. BC378829

Taxpayer's Counsel

David Roth, Esq.

Hochman, Salkin, Rettig, Toscher & Perez

Filed – 10/10/07

FTB's Counsel

Diane Spencer-Shaw

Issues: 1. Whether Plaintiff was a resident of California for tax purposes.
2. Whether assessing a penalty under Revenue and Taxation Code section 19777.5 violates Due Process.

Years: 1990 through 1994

Amount \$487,084.00 Tax
\$ 89,534.00 Penalty

Status: Trial Setting Conference scheduled for July 31, 2008.

SHIMMON, EDWARD & ANNELIESE v. Franchise Tax Board

Los Angeles Superior Court Docket No. BC363822

Taxpayer's Counsel

Charles P. Rettig, Sharyn M. Fisk

Hochman, Salkin, Rettig, Toscher & Perez, P.C.

Filed – 12/22/06

FTB's Counsel

Lisa W. Chao

Donald Currier

Issue: Whether a taxpayer filing under the first option of VCI was eligible for the interest suspension provided by section 19116.

Year: 1999

Amount \$515,422.00 Interest

Status: Order, Court Stay of Proceedings until June 12, 2008, pending State Board of Equalization's decisions in the VCI cases.

THODE, JEROME P. & KATHLEEN A. THODE-FERRIS v. Franchise Tax Board

Los Angeles Superior Court Docket No. BC383969

Taxpayer's Counsel

Gordon B. Cutler, Esq.

Filed – 01/17/08

FTB's Counsel

Anthony Sgherzi

Issue: Whether taxpayers constructively received the proceeds from the exchange of LLC memberships for stock in the taxable year.

Year: 2000

Amount \$137,694.00

Status: **Answer to Complaint filed on May 7, 2008. Case Management Conference rescheduled to August 11, 2008.**

TOY'S "R" US, INC. & AFFILIATES v. Franchise Tax Board

Sacramento Superior Court Docket No. 01AS04316

Filed - 07/17/01

Court of Appeal, 4th Appellate Court No. C045386

California Supreme Court No. S143422

Taxpayer's Counsel

Eric J. Coffill

Carley A. Roberts

Morrison & Foerster, LLP

FTB's Counsel

Steven J. Green

Issue: Whether gross receipts from the sale of short-term financial investment were properly excluded from the documentation of the sales factor.

Years: 1991 through 1994

Amount \$5,342,117.00

Status: Case is transferred to the Court of Appeal on November 15, 2006, with directions to vacate its decision and to reconsider the cause of action in light of Microsoft v. Franchise Tax Board (2006) 39 Cal.4th 750 and General Motors v. Franchise Tax Board (2006) 39 Cal.4th 773. (Cal. Rules of Court, rule 29.3(d).)

VENTAS FINANCE I, LLC v. Franchise Tax Board

San Francisco Superior Court Docket No. 05-440001

Filed – 04/01/05

Court of Appeal, 1st Appellate Court No. A116277 & A117751*Taxpayer's Counsel*

Amy L. Silverstein, Edwin Antolin

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FTB's Counsel

Marguerite Stricklin

Issue: Whether Revenue and Taxation Code section 17942, which imposes a tax based upon the "total income from all sources reportable to this state" of LLC registered with the Secretary of State, violates the Due Process Clause and Commerce Clause.

Years: 2001 through 2003

Amount \$29,580.00

Status: Plaintiff/Respondent Ventas' Request for Oral Argument, and additional citations for Oral Argument, filed on March 5, 2008.